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Report Highlights:

Post' revised its MY 2004/05 cotton production estimate higher to a record 18.2 million bales (170 kg), on higher acreage and improved yield prospects. Imports have been lowered to 0.8 million bales, and exports raised to 0.8 million bales, both on improved domestic supplies.

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Table of Contents

SECTION I: SITUATION AND OUTLOOK.....	3
2004/05 Production Estimate Raised to Record Level.....	3
2003/04 Cotton Area and Production Revised.....	4
Market Prices Tumble on Speculations of 'Bumper' Crop	4
MY 2004/05 Imports Lowered	4
SECTION II: STATISTICAL TABLES	5
Table 1: Commodity, Cotton (Metric Tons), PSD.....	5
Table 2: Commodity, Cotton (480 lb bales), PSD.....	6
Table 3: Area, Production & Yield of Cotton in Major States.....	7
Table 4: Month End Prices of Popular Varieties.....	8

SECTION I: SITUATION AND OUTLOOK

Note: All figures in the text are in 170 kg bales unless otherwise stated.

2004/05 Production Estimate Raised to Record Level

Post's estimate of MY 2004/05 cotton production has been revised higher to 18.2 million bales on higher cotton planting (8.7 million hectares) and improved yield prospects due to the good monsoon rains in August and September. Early trade estimates for the crop are 18 to 21 million bales. However, in past years trade sources have tended to be over-optimistic at the beginning of a new season. Nevertheless, the estimated MY 2004/05 production of 18.2 million bales is a record cotton crop in India (previous record of 17.8 million bales in 1996/97).

After a month-long dry spell, good rains returned in August and September in most cotton growing areas. With this revival of the monsoon in August, cotton planting in the pre dominantly rainfed states of central and southern India resumed energetically, stretching through end-August (against a normal end of planting in mid-August). In addition to strong cotton prices, the ability of the 'resilient' cotton crop to withstand late sowing conditions better than competing crops led to higher than anticipated planting in the states of Gujarat, Maharashtra, and Andhra Pradesh. Except for the small summer cotton crop in the south, which is sown in November and December, sowing has been completed in all cotton producing regions. Based on the provisional planting estimates from some state agriculture departments and field sources, the MY 2004/05 cotton area estimate has been raised to 8.7 million hectares, a 12 percent increase over last year's area.

The MY 2004/05 crop is progressing well under favorable weather conditions. Most rainfed cotton growing areas in central and southern India have received good, well-scattered rains (rains interspersed with periods of bright sunshine) in September, providing favorable growing conditions for the crop. The northern region received scanty rains and the atmosphere was cool and dry in September. These conditions are beneficial for the flowering and boll setting in these plants, and also mitigate pest problems (wet and humid overcast conditions are better for spread of heliothis/bollworm, the major pests). Post's field travel in the north indicates abnormally low incidence of heliothis/bollworm and whitefly compared to previous years, which ought to support higher yields in the region.

Market sources report the continued increase in planting the new improved hybrids and Bt (*Bacillus thuringiensis*) cotton varieties. The area under hybrid cotton varieties (including Bt cotton cultivated illegally) in Punjab and Haryana has expanded to 40-45 percent (vs. 25-30 percent last year), of which about ¼ is likely to be illegally cultivated Bt cotton (no Bt variety has been officially approved for these states). Preliminary estimates indicate that the area under officially approved Bt cotton varieties increased over five times to 500,000 hectares in the central and southern regions. Market sources report that almost twice that area, one million hectares, has been planted with 'illegal' Bt cotton seed (Bt seeds developed by local seed companies illegally, and Bt F2 seeds sold by farmers). Besides the Bt varieties, there has been an expansion of area under new and improved (higher yielding) hybrid varieties at the cost of traditional varieties.

The above-mentioned factors have improved the cotton yield prospects for the MY 2004/05 cotton crop. However, due to a month-long delay in planting, the MY 2004/05 yields are expected to be lower than MY 2003/04 record yield. Consequently, 2004/05 production is estimated at 18.2 million bales, including 1.1 million bales of loose cotton (see Table 3).

2003/04 Cotton Area and Production Revised

Based on the provisional estimates from the Ministry of Agriculture, MY 2003/04 cotton area is revised marginally lower to 7.8 million hectares. The MY 2003/04 cotton production is raised to 17.7 million bales, based on the latest official estimates from the Cotton Advisory Board. This production estimate is based on the latest market arrival figures compiled by official and trade sources. The very favorable weather conditions, the higher usage of improved cotton varieties, and the lower incidence of pest and diseases during the MY 2003/04 season resulted in a record average yield of 386 kg/hectare (including loose cotton), an increase of 28 percent over the previous year.

Market Prices Tumble on Speculations of 'Bumper' Crop

With the reports of an upcoming bumper crop in MY 2004/05, domestic cotton prices quickly spiraled downward. Current prices of most staple varieties have declined by 6 to 16 percent over August-end prices. Market arrivals of the new crop have begun, with daily arrivals of 15,000-20,000 bales per day (vs. 10,000-12,000 bales per day at the same time last year), mostly in the north, Gujarat, and Madhya Pradesh. Market arrivals are expected to gain pace from about the second week of October. Prices are expected to decline further, as arrivals gain in other regions, but are expected to closely follow international price movements.

MY 2004/05 Imports Lowered

Post has lowered its estimate for MY 2004/05 imports to 0.8 million bales on improved domestic production. Most imports will be limited to extra long staple and specialty cotton. Although import volumes will depend on the relative price of Indian vs. international cotton, expected affordable prices and the improved quality of local cotton is expected to limit cotton imports during the forthcoming season. MY 2004/05 exports have been raised to 0.8 million bales, as India will export some cotton to its neighboring markets on expected competitive prices.

SECTION II: STATISTICAL TABLES

Table 1: Commodity, Cotton (Metric Tons), PSD

PSD Table							
Country:	India						
Commodity:	Cotton	(HECTARES) (METRIC TONS)					
		2002		2003		2004	UOM
	Old	New	Old	New	Old	New	
Market Year Begin		Aug-02		Aug-03		Aug-04	(MONTH/YEAR)
Area Planted	7600000	7667000	7900000	7785000	8300000	8690000	(HECTARES)
Area Harvested	7600000	7667000	7900000	7785000	8300000	8690000	(HECTARES)
Beginning Stocks	1116066	1116066	780767	780766	922290	921300	METRIC TONS
Production	2307901	2307901	2993740	3009000	2830445	3094000	METRIC TONS
Imports	264755	264755	195954	195954	217727	136000	METRIC TONS
TOTAL SUPPLY	3688722	3688722	3970461	3985720	3970462	4151300	METRIC TONS
Exports	12193	12193	119750	136000	43545	136000	METRIC TONS
USE Dom. Consumption	2664070	2664070	2695708	2681920	2760841	2805000	METRIC TONS
Loss Dom. Consumption	231692	231693	232713	246500	232900	238000	METRIC TONS
TOTAL Dom. Consumption	2895762	2895763	2928421	2928420	2993741	3043000	METRIC TONS
Ending Stocks	780767	780766	922290	921300	933176	972300	METRIC TONS
TOTAL DISTRIBUTION	3688722	3688722	3970461	3985720	3970462	4151300	METRIC TONS

Note: Production figures for MY 2002, 2003 and 2004 include 1.15 million bales (170 kg), 1.1 million bales and 1.1 million bales of loose cotton respectively.

Table 2: Commodity, Cotton (480 lb bales), PSD

PSD Table							
Country:	India				Conversion	0.00459	
Commodity:	Cotton						
		2002		2003		2004	UOM
	Old	New	Old	New	Old	New	
Market Year Begin		08/2001		08/2002		08/2003	(MONTH/YEAR)
Area Planted	7600000	7667000	7900000	7785000	8300000	8690000	(HECTARES)
Area Harvested	7600000	7667000	7900000	7785000	8300000	8690000	(HECTARES)
Beginning Stocks	5126	5126	3586	3586	4236	4231	1,000 480lb bales
Production	10600	10600	13750	13820	13000	14210	1,000 480lb bales
Imports	1216	1216	900	900	1000	625	1,000 480lb bales
TOTAL SUPPLY	16942	16942	18236	18306	18236	19067	1,000 480lb bales
Exports	56	56	550	625	200	625	1,000 480lb bales
USE Dom. Consumption	12236	12236	12381	12318	12680	12883	1,000 480lb bales
Loss Dom. Consumption	1064	1064	1069	1132	1070	1093	1,000 480lb bales
TOTAL Dom. Consumption	13300	13300	13450	13450	13750	13976	1,000 480lb bales
Ending Stocks	3586	3586	4236	4231	4286	4466	1,000 480lb bales
TOTAL DISTRIBUTION	16942	16942	18236	18306	18236	19067	1,000 480lb bales

Note: Production figures for MY 2002, 2003 and 2004 include 1.15 million bales (170 kg), 1.1 million bales and 1.1 million bales of loose cotton respectively.

Table 3: Area, Production & Yield of Cotton in Major States

(Area 000 ha; Production 000 bales of 170 kgs, Yield kgs/ha)

							Final	Revised	Revised
STATE		1997/98	1998/99	1999/2000	2000/01	2001/02	2002/03	2003/04	2004/05
Maharashtra	Area	3139	3199	3254	3077	2980	2800	2766	2950
	Production	2150	2650	3650	2050	3425	2600	3100	3000
	Yield	116	141	191	113	195	158	191	173
Gujarat	Area	1519	1607	1516	1615	1687	1634	1647	1850
	Production	4200	4750	2850	2400	3250	3050	5000	4800
	Yield	470	502	320	253	328	317	516	441
Madhya Pradesh	Area	517	501	525	506	623	545	575	585
	Production	2250	1875	1550	1750	2000	1800	1950	1850
	Yield	740	636	502	588	546	561	577	538
Punjab	Area	727	562	475	474	600	449	452	550
	Production	725	500	800	900	925	750	1100	1400
	Yield	170	151	286	323	262	284	414	433
Haryana	Area	638	582	546	555	610	519	526	625
	Production	900	700	1050	1000	550	875	1150	1400
	Yield	240	204	327	306	153	287	372	381
Rajasthan	Area	645	645	583	510	347	386	335	300
	Production	1100	1150	1300	1050	700	500	850	650
	Yield	290	303	379	350	343	220	431	368
Andhra Pradesh	Area	898	1278	1040	1022	1002	803	825	1000
	Production	2550	2500	2200	2500	2675	1975	2600	2600
	Yield	483	333	360	416	454	418	536	442
Karnataka	Area	518	608	600	560	591	393	500	600
	Production	750	875	800	800	700	500	400	800
	Yield	246	245	227	243	201	216	136	227
Tamil Nadu	Area	247	243	185	193	200	85	103	150
	Production	500	550	550	550	500	300	350	500
	Yield	344	385	505	484	425	600	578	567
Others	Area	56	62	67	64	90	53	56	80
	Production	100	125	150	100	75	100	100	100
	Yield	304	343	381	266	142	321	304	213
All-India	Area	8904	9287	8791	8576	8730	7667	7785	8690
	Production	15225	15675	14900	13100	14800	12450	16600	17100
	Yield	291	287	288	260	288	276	362	335

Note: 1. Production figures for 1997/98 in the PS&D includes loose cotton estimates.

2. Loose Cotton estimate: 1997/98 (575,000 bales); 1998/99 (825,000 bales); 1999/2000 (700,000 bales); 2000/01 (900,000 bales); 2001/02 (1,000,000 bales); 2002/03 (1,150,000 bales), 2003/04 (1,100,000 bales) and 2004/05 (1,100,000 bales) respectively.

Table 4: Month End Prices of Popular Varieties
(Rupees per Metric Tons)

Year	Bengal	S.G.J.	H-4	Shankar-6	MCU-5	DCH-32
	Deshi	F-34	M.P.	Gujarat	A.P.	South
2002/03						
Aug	39930	41060	49210	51740	61580	81830
Sept	38520	40490	47800	50050	59610	77330
Oct	41620	43330	48930	50620	63270	78740
Nov	41060	46680	49770	52020	63270	80980
Dec	36840	46400	49490	52870	64680	83800
Jan	34590	46400	50620	53990	64680	82950
Feb	38810	52300	56240	59050	65520	88280
Mar	38240	55680	58210	61860	67490	87720
Apr	41620	59050	61020	63560	68330	87160
May	40490	58210	59050	61860	69740	88000
Jun	40770	59050	60740	63000	70300	88560
Jul	41060	61020	62710	63560	71710	91360
Avg Price	39463	50806	54483	57015	65848	84726
2003/04						
Aug	39090	60460	61580	63540	68900	87560
Sept	37970	59060	63820	65520	70300	87180
Oct	39090	60460	61580	63540	68900	87560
Nov	37110	55960	58220	61320	65540	87990
Dec	39630	57920	61300	63840	66100	85750
Jan	42740	62420	64940	67480	71410	91390
Feb	43860	59050	62980	66080	70290	88590
Mar	44420	59900	62140	66640	70290	85790
Apr	43590	59900	62140	65800	71700	85790
May	44430	61580	62710	67490	71700	85790
Jun	45560	59060	62150	65800	71710	85790
Jul	48370	60740	62710	66370	71710	85790
Avg Price	42155	59709	62189	65285	69879	87081
2004/05						

Aug	48930	60180	61870	65520	71430	85790
Sept 24	44150	50620	54270	57650	67490	85790

Source: East India Cotton Association, Mumbai.